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LOK SABHA

The following Bill was introduced in Lok Sabha on the 7th August, 1959:—

*BILL NO. 52 OF 1959

A Bill to provide for the establishment of a Commission for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and for matters connected therewith.

BE it enacted by Parliament in the Tenth Year of the Republic of India as follows:

CHAPTER I

PRELIMINARY

5 1. (1) This Act may be called the Oil and Natural Gas Commission Act, 1959. Short title,
extent and
commence-
ment.

(2) It extends to the whole of India, except the State of Jammu and Kashmir.

10 (3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. In this Act, unless the context otherwise requires,—

Definitions.

(a) "chairman" means the chairman of the Commission;

(b) "Commission" means the Oil and Natural Gas Commission established under section 3;

*The President has, in pursuance of clause (3) of article 117 of the Constitution, recommended to Lok Sabha the consideration of the Bill.

(c) "existing organisation" means the body set up in pursuance of the resolution of the Government of India, No. 22/29/55-ONG, dated the 14th August, 1956;

(d) "Fund" means the fund referred to in section 19;

(e) "member" means a member of the Commission and includes the chairman;

30 of 1934.

(f) "petroleum" has the same meaning as in the Petroleum Act, 1934, and includes natural gas;

(g) "prescribed" means prescribed by rules made under this Act.

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CHAPTER II

THE OIL AND NATURAL GAS COMMISSION

Establishment and incorporation of the Commission.

3. (1) With effect from such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf, there shall be established a Commission to be called the Oil and Natural Gas Commission.

(2) The Commission shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract and shall by the said name sue and be sued.

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Composition of the Commission.

4. The Commission shall consist of a chairman and not less than two other members appointed by the Central Government and the members may be required to render whole time or part time service, as the Central Government may direct:

Provided that one of the members shall be a whole-time Finance Member in charge of the financial matters relating to the Commission.

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Provided further that the Central Government may, if it thinks fit, appoint one of the members as vice-chairman of the Commission.

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Term of office and conditions of service of members.

5. (1) The term of office and conditions of service of the chairman and other members shall be such as may be prescribed:

Provided that the Central Government may, if it thinks fit, terminate the appointment of any member before the expiry of his term of office, after giving him a reasonable opportunity of showing cause against the same.

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(2) Any member may resign his office by giving notice in writing to the Central Government, and on such resignation being notified in the Official Gazette by that Government, shall be deemed to have vacated his office.

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(3) A casual vacancy created by the resignation of a member, under sub-section (2) or for any other reason may be filled by fresh appointment.

- 5 6. A person shall be disqualified for being appointed or for continuing as a member, if he has, directly or indirectly, any interest in a subsisting contract made with, or in any work being done for, the Commission except as a shareholder (other than a director) in an incorporated company:

Disqualification for being appointed, or for continuing, as member of the Commission.

10 Provided that where he is a shareholder, he shall disclose to the Central Government the nature and extent of the shares held by him in such company.

7. If any member is by infirmity or otherwise rendered temporarily incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his 15 appointment, the Central Government may appoint another person to act in his place during his absence.

Temporary absence of member.

8. No act or proceeding of the Commission shall be invalid by reason only of the existence of any vacancy among its members or any defect in the constitution thereof.

Vacancies, etc., not to invalidate acts and proceedings of the Commission.

- 20 9. (1) The Commission shall meet at such times and places and shall, subject to the provisions of sub-sections (2) and (3), observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made under this Act.

Meetings of the Commission.

- 25 (2) The chairman or, in his absence, the vice-chairman, if any, or in the absence of the chairman and of the vice-chairman, if any, any member chosen by the members from among themselves, shall preside at a meeting of the Commission.

- 30 (3) All questions at a meeting of the Commission shall be decided by a majority of the votes of the members present and voting, and in the case of an equality of votes, the chairman or, in his absence, the person presiding, shall have a second or casting vote:

35 Provided that the person presiding may, in his discretion, reserve any matter for the consideration of the Central Government.

10. (1) The Commission may associate with itself in such manner and for such purposes, as may be provided by regulations made under this Act, any person whose assistance or advice it may desire in performing any of its functions under this Act.

Temporary association of persons with the Commission for particular purposes.

- 40 (2) A person associated with it by the Commission under sub-

section (1) for any purpose shall have a right to take part in the discussions of the Commission relevant to that purpose, but shall not have a right to vote at a meeting of the Commission, and shall not be a member for any other purpose.

Authentica-
tion of orders
and other
instruments
of the Com-
mission.

11. All orders and decisions of the Commission shall be authenticated by the signature of the chairman or any other member authorised by the Commission in this behalf, and all other instruments issued by the Commission shall be authenticated by the signature of an officer of the Commission authorised in like manner in this behalf.

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Staff of the
Commission.

12. (1) Subject to the provisions of section 15, the Commission may, for the purpose of enabling it efficiently to perform its functions or exercise its powers under this Act, appoint such number of employees as it may consider necessary.

(2) The functions and the terms and conditions of service of 15 such employees shall be such as may be provided by regulations made under this Act.

Transfer of
service of
existing em-
ployees to
the Com-
mission.

13. (1) Subject to the provisions of this Act, every person employed by the existing organisation immediately before the date of establishment of the Commission shall, on and from such date, 20 become an employee of the Commission with such designation as the Commission may determine and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions as he would have held the same on such date if the Commission had not been established and shall 25 continue to do so unless and until his employment in the Commission is terminated or until such tenure, remuneration and terms and conditions are duly altered by the Commission:

Provided that—

(a) the tenure, remuneration and terms and conditions of 30 service of any such person shall not be altered to his disadvantage without the previous approval of the Central Government;

(b) any service rendered in the existing organization by any such person shall be deemed to be service under the Com- mission; and

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(c) all persons employed by the Commission on the date of its establishment, who immediately before such date, hold, in a permanent or quasi-permanent capacity, posts in connection with the affairs of the Union or of any State, but not posts in the existing organisation, shall be treated as Government 40 servants on foreign service with the Commission.

(2) The Commission may employ any person who has become its employee under sub-section (1), in such capacity as it thinks fit, and every such employee shall be bound to discharge his functions accordingly.

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CHAPTER III

POWERS AND FUNCTIONS OF THE COMMISSION

14. (1) Subject to the provisions of this Act, the functions of the Commission shall generally be to plan, promote, organise and implement programmes for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and to perform such functions as the Central Government may, from time to time, assign to the Commission. Functions of the Commission.

(2) In particular and without prejudice to the generality of the foregoing provision, the Commission may take such steps as it thinks fit—

(a) for the carrying out of geological and geophysical surveys for exploration of petroleum;

(b) for the carrying out of drilling and other prospecting operations to prove and estimate the reserves of petroleum;

20 (c) to undertake, encourage and promote such other activities as may lead to the establishment of such reserves;

(d) to undertake, assist or encourage and promote the production of petroleum from such reserves and its refining;

25 (e) for the transport and disposal of natural gas and refinery gases produced by the Commission ;

Provided that no industry, which will use any of these gases as a raw material, shall be set up by the Commission without the previous approval of the Central Government;

30 (f) to undertake, encourage and promote geological, chemical and other scientific investigations whether in or outside the laboratory;

(g) to undertake, assist or encourage the collection, maintenance and publication of statistics, bulletins and monographs;

35 (h) to perform any other function which is supplemental, incidental or consequential to any of the functions aforesaid or which may be prescribed.

(3) In the discharge of its functions under this Act, the Commission shall be bound by such directions as the Central Government may, for reasons to be stated in writing, give to it from time to time.

15. The Commission may exercise all such powers as may be necessary or expedient for the purpose of carrying out its functions under this Act: Powers of the Commission.

Provided that before exercising its powers in respect of the following matters, it shall obtain the previous approval of the Central Government, namely:—

(a) the creation of any post the salary or honorarium of which would be rupees two thousand a month or more or 5 would be on a scale the maximum of which is rupees two thousand a month or more, and the appointment of any person to any such post;

(b) the implementation of any scheme or proposal which will involve a capital expenditure exceeding thirty lakhs of 10 rupees;

(c) the disposal of any property, right or privilege, the original or book value of which exceeds ten lakhs of rupees.

CHAPTER IV

FINANCE, ACCOUNTS, AUDIT AND REPORTS

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Capital of
the Com-
mission.

16. (1) All non-recurring expenditure incurred by the Central Government for or in connection with the existing organisation up to the date of establishment of the Commission and declared to be capital expenditure by that Government, shall be treated as capital expenditure provided by that Government to the Commission, and 20 shall be brought into the books of the Commission.

(2) The Central Government may, after due appropriation made by Parliament in this behalf, provide any further capital that may be required by the Commission for the carrying on of the business of the Commission or for any purpose connected therewith on such 25 terms and conditions as that Government may determine.

Vesting of
property in
the Com-
mission.

17. All property acquired and all works constructed or under construction by or on behalf of the Central Government for the purposes of the existing organisation up to the date of establishment of the Commission shall, on such date, vest in the Commission 30 and all income derived and all expenditure incurred in this behalf shall be brought into the books of the Commission.

Commission
to have
rights, liabi-
lities and
obligations
of the
Central Gov-
ernment in
certain cases.

18. All rights, liabilities and obligations of the Central Govern- 35 ment which, whether arising out of any contract or otherwise, were acquired or incurred by it in connection with the existing organi- sation or for any of the purposes referred to in this Act, before the date of establishment of the Commission shall be deemed to have been acquired or incurred by the Commission and shall be the rights, liabilities and obligations respectively of the Commission.

19. (1) The Commission shall have its own Fund and all receipts of the Commission shall be carried thereto and all payments by the Commission made therefrom. Fund of the Commission.

(2) The Commission may expend such sums as it thinks fit for performing its functions under this Act and such sums shall be treated as expenditure payable out of the Fund.

(3) All monies of the Commission shall be deposited in the Reserve Bank of India or with the agents of that Bank or where there is neither an office of that Bank, nor an agent of that Bank, in a Government Treasury, or be invested in such securities as may be approved by the Central Government.

20. The Commission may, with the previous approval of the Central Government, borrow money in the open market or otherwise for the purposes of carrying out its functions under this Act. Borrowing of money.

21. (1) (a) The Commission shall, by such date in each year as may be prescribed, submit to the Central Government for approval a budget in the prescribed form for the next financial year, showing the estimated receipts and expenditure, and the sums which would be required from the Central Government, during that financial year.

(b) If any sum granted by the Central Government remains wholly or partly unspent in any financial year, the unspent sum may be carried forward to the next financial year and taken into account in determining the sum to be provided by the Central Government for that year.

(2) Subject to the provisions of sub-section (3), no sum shall be expended by or on behalf of the Commission unless the expenditure is covered by provision in the budget approved by the Central Government.

(3) The Commission may sanction any re-appropriation from one head of expenditure to another or from a provision made for one scheme to that for another;

Provided that, except with the previous approval of the Central Government—

(a) no re-appropriation from the head "loan" to another head of expenditure and *vice versa* in the budget shall be sanctioned by the Commission;

(b) no re-appropriation which has the effect of augmenting the provision under any head of expenditure as approved by the Central Government by more than ten per cent. or five lakhs of rupees, whichever is less, shall be made.

Annual
reports,
accounts
and audit.

22. (1) The Commission shall maintain proper accounts and other relevant records and prepare an annual statement of accounts, including the profit and loss account and balance sheet in accordance with such general directions as may be issued, and in such form as may be prescribed, by the Central Government in consultation with the Comptroller and Auditor-General of India.

(2) The accounts of the Commission shall be audited annually by the Comptroller and Auditor-General of India and any expenditure incurred by him in connection with such audit shall be payable by the Commission to the Comptroller and Auditor-General of India. 10

(3) The Comptroller and Auditor-General of India and any person appointed by him in connection with the audit of the accounts of the Commission shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General has in connection with the audit of Government 15 accounts, and in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Commission.

(4) The accounts of the Commission as certified by the Comptroller and Auditor-General of India or any other person appointed 20 by him in this behalf, together with the audit report thereon, shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament.

Returns and
reports.

23. (1) The Commission shall furnish to the Central Government 25 at such time and in such form and in such manner, as may be prescribed or as the Central Government may direct, such returns and statements and such particulars in regard to any proposed or existing programme for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by 30 the Commission as the Central Government may, from time to time, require.

(2) Without prejudice to the provisions of sub-section (1), the Commission shall, as soon as possible after the commencement of each financial year, submit to the Central Government a report in such 35 form and before such date as may be prescribed, giving a true and full account of its activities, policy and programme during the previous financial year and an account of the activities likely to be undertaken during the current financial year.

(3) A copy of the report received under sub-section (2) shall be 40 laid before each House of Parliament.

CHAPTER V

MISCELLANEOUS

2 of 1894. 5 24. Any land required by the Commission for carrying out its functions under this Act shall be deemed to be needed for a public purpose and such land shall be acquired for the Commission as if the provisions of Part VII of the Land Acquisition Act, 1894, were applicable to it and the Commission were a company within the meaning of clause (e) of section 3 of the said Act.

Compulsory acquisition of land for the Commission.

10 25. Any employee of the Commission, generally or specially authorised by it, may at all reasonable times enter upon any land or premises and there do such things as may be reasonably necessary for the purpose of lawfully carrying out any of its works or of making any survey, examination or investigation preliminary or incidental to the exercise of powers or the performance of functions 15 by the Commission under this Act.

Power of entry.

26. The Commission may, by general or special order in writing, direct that all or any of the powers or duties which may be exercised or discharged by it shall, in such circumstances and under such conditions, if any, as may be specified in the order, be exercised or discharged also by any person specified in this behalf in the order.

Delegation of powers and duties.

45 of 1860. 27. All members and employees of the Commission, shall, when acting or purporting to act in pursuance of the provisions of this Act, or of any rule or regulation made thereunder, be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

Members and employees of the Commission to be public servants.

25 28. No suit, prosecution or other legal proceeding shall lie against the Commission or any member or employee of the Commission for anything which is in good faith done or intended to be done in pursuance of this Act or of any rule or regulation made thereunder.

Protection of action taken under Act.

30 29. The Commission shall be deemed to be a company within the meaning of any enactment for the time being in force providing for the levy of any tax or fee by the Central Government or a State Government and shall be liable to pay such tax or fee accordingly.

Liability of Commission to pay taxes and fees.

35 30. (1) The Central Government may, by notification in the Official Gazette, direct that the Commission shall be dissolved from such date as may be specified in the notification and thereupon the Commission shall be deemed to be dissolved accordingly.

Dissolution of the Commission.

(2) On and from the said date—

40 (a) all assets, liabilities and obligations acquired or incurred by the Commission for purposes of the Commission or for any of the purposes referred to in this Act shall vest in the Central Government, and

(b) all members shall vacate their offices as members of the Commission.

Power of
Central
Government
to make
rules.

31. (1) The Central Government may, by notification in the Official Gazette, make rules to give effect to the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing provision, such rules may provide for all or any of the following matters, namely:—

(a) the term of office of, and the manner of filling casual vacancies among, the members, and their conditions of service including the salaries, remuneration and allowances to be paid to them and the travelling and daily allowances to be drawn by them when they are on tour; 10

(b) the disqualifications for membership of the Commission and the procedure to be followed in removing a member who is or becomes subject to any disqualification; 15

(c) the procedure to be followed in the discharge of functions by members;

(d) the date by which, and the form in which, the budget shall be submitted in each year under sub-section (1) of section 21; 20

(e) the procedure to be followed for placing the Commission in possession of funds;

(f) the procedure to be followed and the conditions to be observed in borrowing moneys or in granting loans;

(g) the conditions subject to which, and the mode in which, contracts may be entered into by or on behalf of the Commission; 25

(h) the form and manner in which the accounts of the Commission shall be maintained under sub-section (1) of section 22; 30

(i) the form and manner in which returns, reports or statements shall be submitted under section 23;

(j) any other matter which has to be, or may be, prescribed.

(3) Every rule made under this section shall be laid as soon as may be after it is made before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect. 35 40

as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

5 32. (1) The Commission may, with the previous approval of the Central Government, by notification in the Official Gazette, make regulations, not inconsistent with this Act and the rules made thereunder, for enabling it to discharge its functions under this Act. Power of Commission to make regulations.

10 (2) In particular and without prejudice to the generality of the foregoing provision, such regulations may provide for all or any of the following matters, namely:—

15 (a) the terms and conditions of appointment and service and the scales of pay of employees of the Commission, including payment of travelling and daily allowances in respect of journeys undertaken by such employees for the purposes of this Act;

 (b) the time and place of meetings of the Commission, the procedure to be followed in regard to the transaction of business at such meetings and the quorum necessary for the transaction of business at a meeting;

20 (c) the maintenance of minutes of meetings of the Commission and the transmission of copies thereof to the Central Government;

25 (d) the persons by whom, and the manner in which payments, deposits and investments may be made on behalf of the Commission;

 (e) the custody of moneys required for the current expenditure of the Commission and the investment of moneys not so required;

 (f) the maintenance of accounts.

30 (3) The Central Government may, by notification in the Official Gazette, amend, vary or rescind any regulation which it has approved; and thereupon the regulation shall have effect accordingly but without prejudice to the exercise of the powers of the Commission under sub-section (1).

STATEMENT OF OBJECTS AND REASONS

The establishment of the Oil and Natural Gas Commission in August, 1956, was the first concrete step taken by Government to carry out *inter alia* geological and geophysical surveys for discovering petroleum resources in the country and developing them in the public sector. The Commission was organized, in the first instance, as an ordinary Government department; but even within this short period of less than three years, the size of this organisation and the volume of work handled by it have increased very rapidly. The magnitude of its programmes and activities is likely to increase further in the near future. In the light of the experience gained so far, it is felt that the powers already delegated to the Commission or a mere amplification of these powers would not suffice. Exploration work in the public sector has reached a stage where for efficient and expeditious progress much more autonomy and elasticity are required than would be possible if the Commission continued to work as a Government Department. Oil industry being a highly integrated one, exploration work and exploitation should more appropriately be entrusted to an agency which can function more or less as a commercial agency in the private sector. The Bill accordingly proposes to convert the existing organisation into a statutory corporate body with the same nomenclature.

Under the Bill the Commission will consist of not less than three members including the Chairman and one of these members will be exclusively in charge of the finances of that body. The Commission's main functions will be—(i) to organise and implement programmes for the development of petroleum resources; (ii) to carry out necessary surveys for the exploration of such resources and the drilling and other prospecting operations required for this purpose; (iii) to promote the production of petroleum and its refinement and the sale of petroleum and petroleum products produced by it; and (iv) to advise Government as and when advice is sought. The Commission will generally have full powers to carry out its functions under the Bill.

The Bill makes adequate provision for the exercise of suitable control over the Commission. It has been provided that the previous approval of the Government should be obtained by the Commission before exercising its powers in respect of certain specific matters. The Commission will also be subject to the directions of Government in the discharge of its functions. Provision has also been made for

financial control over the Commission. The submission of an annual statement of the programme and activities undertaken and likely to be undertaken by the Commission, and of financial estimates in respect thereof has been made obligatory. In addition, the funds of the Commission are required to be deposited in the Reserve Bank or a Government Treasury or to be invested in securities approved by Government; and the scrutiny of the accounts of the Commission by the Comptroller and Auditor-General of India has been ensured. Parliament also will be kept in touch with the working of the Commission as the Bill requires copies of its annual report and the Comptroller and Auditor-General's audit report to be laid before both Houses of Parliament.

The Bill also contains ancillary provisions in respect of various other matters like the transfer of staff, the vesting of properties in the Commission, etc.

NEW DELHI;

The 1st August, 1959.

K. D. MALAVIYA.

FINANCIAL MEMORANDUM

The Bill provides for non-recurring and recurring expenditure by the Central Government on the following items:—

Non-recurring expenditure.—After the Commission is established, it may be necessary for the Central Government to make payments to the Commission to finance any approved schemes involving capital outlay. These will be submitted to Parliament in the normal course as Budget Demands.

Recurring Expenditure.—The Bill provides that each year the Central Government may pay to the Commission such sums as may be considered necessary for the performance of the functions of the Commission under the Bill.

All property acquired and all works constructed or under construction for the purposes of the existing organisation upto the date of establishment of the Commission shall vest in the Commission and all income derived and expenditure incurred in this behalf shall be brought into the books of the Commission. The expenditure incurred by and for the Oil and Natural Gas Commission upto the end of 1958-59 amounts to about Rs. 562 lakhs.

On the basis of the schemes approved by the Planning Commission, the total expenditure on Capital Account of the existing organisation and the Commission may be about Rs. 23 crores during the years 1959-60 and 1960-61.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 31 of the Bill empowers the Central Government to make rules to give effect to its provisions. The matters in respect of which such rules may be made relate *inter alia* to the term of office and the conditions of service of the members of the Commission, the disqualifications for such membership, the date by which and the form in which the budget is to be submitted, the procedure to be followed for placing the Commission in possession of funds, the procedure and conditions to be observed in borrowing money or granting loans, the conditions and mode in which contracts may be entered into by the Commission, the maintenance of accounts and the submission of returns, etc., by the Commission. All these matters are comparatively of a minor importance and are normally the subject-matter of delegated legislation. These rules will also be laid before Parliament.

2. Clause 32 of the Bill empowers the Commission to make regulations not inconsistent with the provisions of the Bill and the rules made thereunder. The power of making regulations is confined mainly to procedural matters, such as the calling of meetings, the maintenance of the minutes, thereof, the custody, payment, deposit and investment of the moneys of the Commission, etc. Regulations may also be made in respect of the terms and conditions of service of the employees of the Commission. Thus, the power of making regulations is confined to matters of detail only and all such regulations will be made with the previous approval of the Central Government.

M. N. KAUL,
Secretary.

